Gift Card & Voucher Association

November 2024

GCVA

Consumer Report

Vol. ***53***

Gift Card & Voucher Association

GlobalData.

The GCVA is partnering with GlobalData to deliver a monthly snapshot of consumer behaviour and attitudes when it comes to gift cards.

The October fieldwork went to field on November 1st, 2024, and was designed to explore habits over October 2024. A UK nationally representative sample of 2,000 shoppers was surveyed.

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Gift Card Voucher Association (GCVA)

Topline Takeaways

- Retail spending growth to slow to 2.1% in 2024 as inflation recedes
- Year-on-year decline in gifting purchasing over October 2024
- Self-use drops back over October
- Digital options continue to outperform
- Multi-store gift cards enjoy a strong October
- Indifferent performance for Experience, Leisure, and Gaming gift cards
- UK consumers see gift cards as a medium for supporting local businesses

Retail spending growth to slow to 2.1% in 2024 as inflation recedes

Following growth of 5.0% to £443.9bn in 2023, retail spending growth is forecast to slow to 2.1% in 2024. In our projection, inflation drops sharply from 9.0% to 1.9% (Oct 2023 vs Oct 2024) as the cost pressures that have pushed it higher, fall out of the calculation. Overall UK Retail Volumes are forecast to rise marginally, by 0.3% in 2024 as a whole, following two years of significant declines (around 4%), reflecting how shoppers are remaining cautious coming out of the cost-of-living crisis. Despite this, real earnings growth and an anticipated improvement in consumer sentiment post-budget announcement with tax changes clarified, will create a more supportive context for discretionary spending and we expect spend growth to improve throughout the year. That said, this benefit will not be felt by all households. For those needing to remortgage and facing much higher monthly payments, household spending will be squeezed.

Food, Health & Beauty

Growth in the food sector and prioritisation of essentials will continue to be the key driver of total retail spend growth in 2024 with non-food sectors forecast to rise 1.6%, and health & beauty driving this, forecast to experience notable growth of 5.6%.

Online Channels

The online channel will see improved growth of 3.2% in 2024 following a rise of 2.0% in 2023 and a decline of 5.3% in 2022, after the heights of the pandemic when online penetration reached over 30%. Online penetration will rise marginally in 2024 to 27.2% and slowly rise out to 2028 with more rapid growth coming from the online food market as retailers' proposition improvements entice shoppers.

Year-on-year decline in gifting purchasing over October 2024

30.5% of UK consumers bought physical gifts, gift cards or made self-use gift card purchases over October 2024. While this was slightly higher than September 2024 (29.6%), this represented a lower rate of gift purchasing compared to October 2023 (32.6%). Despite household finances being on an upwards trajectory, many consumers continue to feel the strain, particularly considering that October in sandwiched between the higher spending Summer and Christmas periods. Indeed, 20.6% of consumers who didn't purchase gifts cards cited as a reason 'I have cut back significantly on my non-essential spending'.

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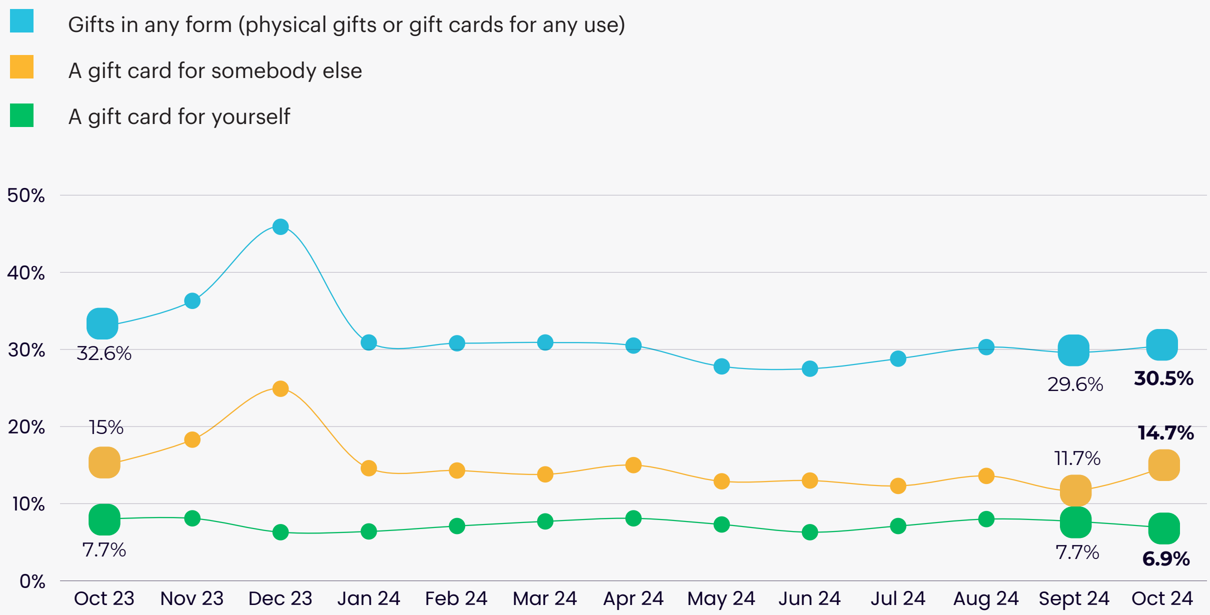
Both physical gifts and gift cards experienced a year-on-year fall back over October. Nonetheless the decline for gift cards was slightly narrower; the 14.7% purchasing gift cards for someone else was only slightly lower than the 15.0% doing same in 2023.

Figure 1:

Did you purchase any of the following:



Self-use drops back over October

6.9% of respondents purchased a card for self-use, compared to 7.7% who did so over October 2023. At the same time, among those purchasing gift cards, 22.2% purchased a physical gift card through a work incentive/reward programme, a marked decline on the 27.3% that did so in October 2023. Despite a blip during a month in which consumers are looking ahead at the oncoming expense of the Christmas period, we expect that self-use will continue to play an important role over the remainder of 2024 and into 2025 in supporting shoppers looking for levers to help with saving and budgeting. Indeed, the proportion of those purchasing self-use cards that cited "to help with saving money" was at 47.8% over October 2024; the highest level of agreement since GlobalData began tracking this measure.

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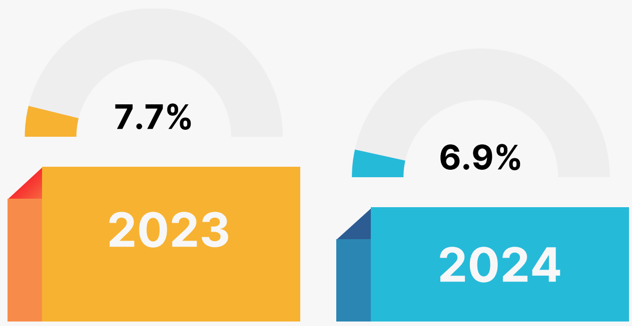
Another key driver of self-use is that the gift card came with a promotion; for example access to discounts or additional cash value added to the card, with this reason increasing being cited by 26.1% of self-use gift card customers (October 2023: 17.2%).

Figure 2:

Purchasing a gift card for yourself October 2023 vs SOctober 2024:

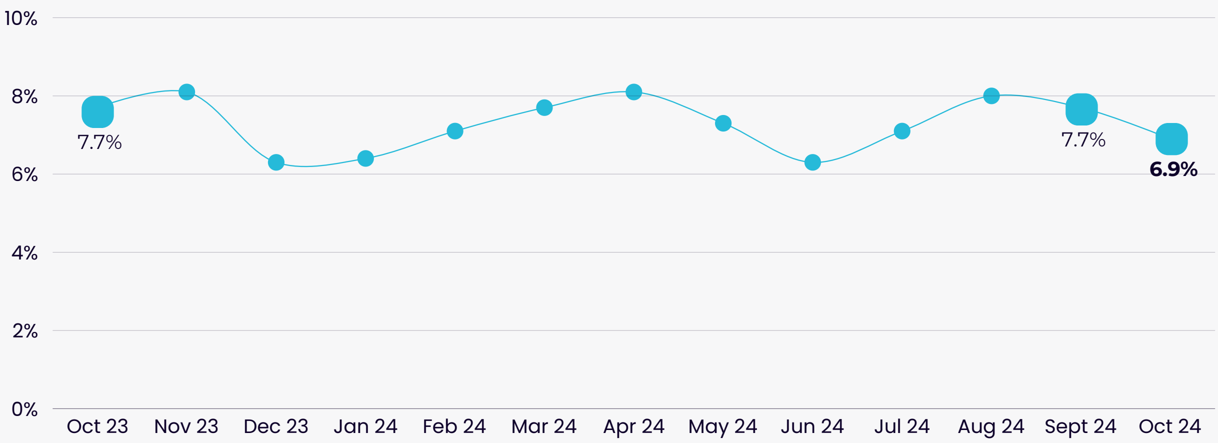
October 2023

October 2024



Data trend over a 12 month period:

A gift card for yourself



Digital options continue to outperform

While the proportion of gift card buyers purchasing physical gift cards instore and online both fell back compared to 2023, digital gift cards proved more robust (29.3% purchasing in October 2024 vs. 29.1% in October 2023). During a month where there was a lack of major gifting occasions, digital options benefitted from the greater convenience that these cards provide, and rising shopper expectations are cross-channel purchase and redemption. Indeed, 53.1% of respondents agreed with the statement “I expect all gift cards to be usable across all of the retailer’s sales channels”.

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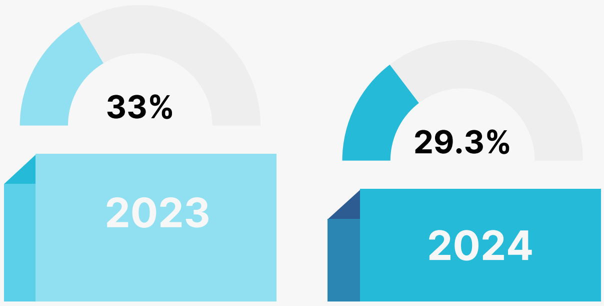
Figure 3:

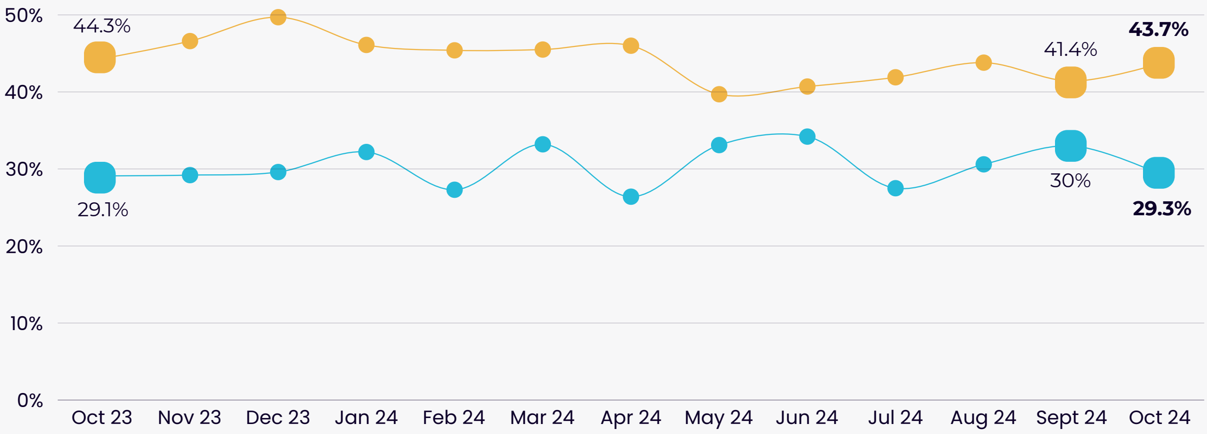
Purchasing a digital gift card SeOctober 2023 vs October 2024:

October 2023
October 2024



Which type of gift cards did you purchase?

A physical gift card from a retailer/gift card issuer online
A digital gift card from a retailer/gift card issuer online



Multi-store gift cards enjoy a strong October

Reflective again of a lack of major seasonal gifting occasions, single-brand retail gift cards underperformed, purchased by only 53.9% of gift card buyers (Oct 2024) compared to 59.4% in October 2023.

In contrast, following a poor September, the proportion of gift card shoppers purchasing multi-store gift cards (35.6%), increased both on the previous month (32.4%) and October 2023 (34.0%).

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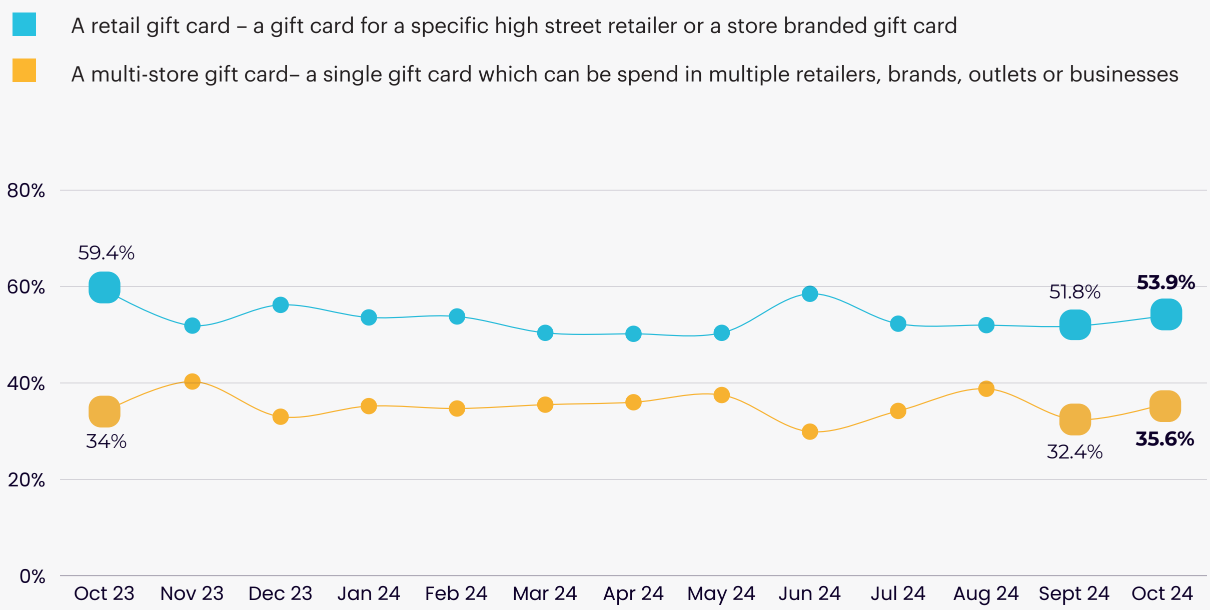
Multi-store cards have the potential to overcome lingering consumers concerns around the lack of flexibility that gift cards provide compared to other payment options. The challenge for these gift card types continues to be balancing the factors of not being too generic that it is considered unthoughtful of the gift-giver, with granting the recipient the freedom of spend within a range of retailers.

Figure 4:

When purchasing gift cards (includes gift cards, vouchers, digital, e-gift codes etc.), which types of gift cards did you purchase, either for yourself or someone else?



UK consumers see gift cards as a medium for supporting local businesses

Over a quarter (29.4%) of respondents said that they have noticed that more local businesses have started to sell gift cards. Moreover, there are signs that many are being proactive in purchasing gift cards to funnel support to local companies. 29.5% of UK consumers agreed with the statement "I have/will purchase gift cards with the intent of supporting companies that I like".

Experience, Leisure, and Gaming gift cards were popular options over September

The performance of experience and leisure cards – purchasing for activities such as hotel stays, spa breaks, and restaurants – was subdued over October, with spending priorities elsewhere. Moreover, following the EA FC 25-driven boost over September 2024, demand for gaming gift cards remained relatively stable. However, experience, leisure,and gaming cards should all represent strong options for thoughtful alternatives to physical gifts during the peak period.

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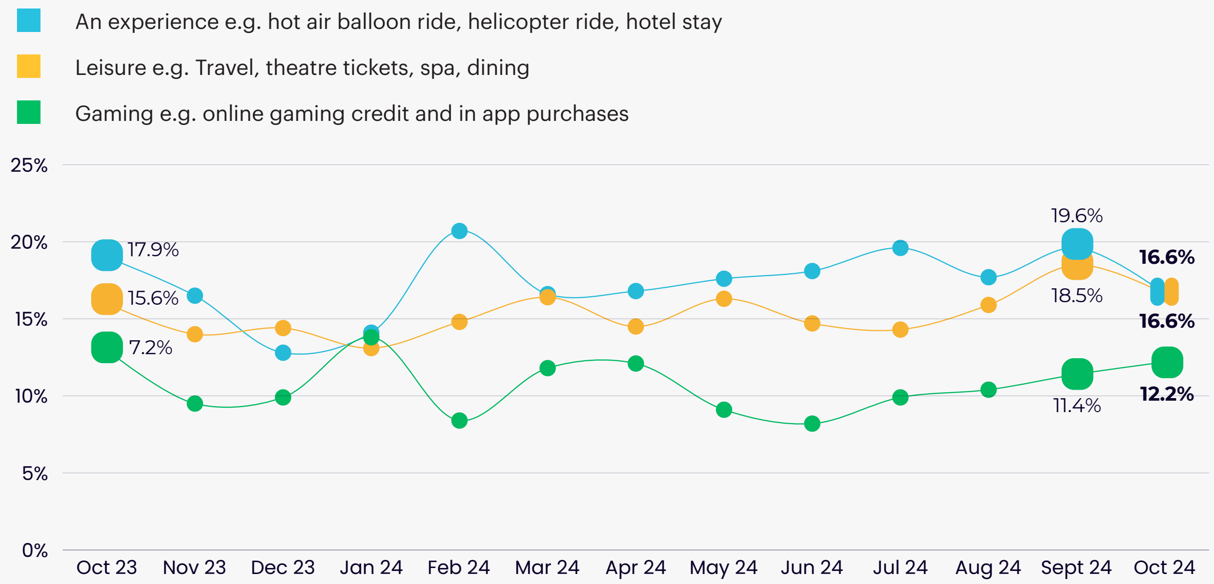
Figure 5:

Experience, Leisure, and Gaming gift cards were popular options over September



The GCVA is the trade body and membership organisation for gift cards and vouchers. The association represents the key players in the industry and promotes best practice for the benefit of gift card issuers, services and consumers.

On the time-period comparisons, this wave covers the October 2024 calendar month, with comparisons made between September 2024 and October 2023. Where relevant, comparisons have also been made to the wider tracking period.

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